

Legislators and Constitutionals Retirement Benefit Assumptions

Legislators

If a Legislator received retirement benefits, what would the value of the benefit be to them? The value cannot be determined by DPA staff; however, an example of the monthly retirement benefit allowance based on assumptions are provided below.

The cost (not value) of an employees retirement benefit is typically determined by CalPERS actuarial staff. A number of factors are considered when projecting the cost of an employee's retirement benefit. This includes the amount of contributions paid into the retirement plan and the benefit amount paid to the employee for his or her lifetime based on actuarial assumptions.

Example of Monthly Allowance if a Legislator is a member of CalPERS

Assuming a Legislator retires at age 60 with 10 years of service with final compensation of \$95,291.00. Miscellaneous retirement formula: 2% at age 60 with Social Security Offset.

Formula:

$2\% (0.02) \times 10 \text{ years of service} = 20\% \text{ of Final Compensation}$

$\$95,291.00 \text{ (Final Compensation)} \text{ minus Social Security Offset } (\$1,599.95) = \$93,691.05$

$\$93,691.05 \times 20\% = \mathbf{\$18,738.21 \text{ Estimated Annual CalPERS Retirement Allowance}}$

Example of Monthly Allowance if a Legislator is a member of LRS (G.C 93591.12)

Note: Legislators of the Senate and Assembly serving prior to November 7, 1990 were under the Legislators Retirement System. Retirement benefits were calculated under the following formula.

5% x first \$500 of salary x LRS service up to 15 years, plus
3% of first \$500 of salary x LRS service over 15 years, plus
3% of (salary - \$500) x total LRS service

Under this formula a LRS member with 10 years of service and an annual salary of \$95,291 would receive a monthly allowance at age 60, calculated as follows:

$10 \text{ years of service} \times 5\% = 0.5 \times \$500 = \$250$
 $10 \text{ years of service} \times 3\% = 0.3 \times \$7,440 (\$7,970 - \$500) = \$2,232$
 $\$250 + \$2,232 = \$2,482 = \$29,784 \text{ Annually}$

Constitutional Officers

CalPERS administers the Legislators Retirement System (LRS) for Constitutional Officers. Retirement benefits are based on three separate formulas that are totaled together to determine the retirement benefit allowance. The formulas are based on the member's years of service and final compensation.

Example of Monthly Allowance – Constitutional Officer

Assuming a Constitutional Officer retires at age 60 with 8 years of service and final compensation is \$139,189.00 (current salary for Controller & Insurance Commissioner)

5% of \$139,189 = \$6,959.45 x years of service up to 8 years = **\$55,675.60/12 = \$4,639.64**

Estimated Monthly Allowance (not to exceed 40%)

-plus additional 20% if member has 24 or more years of service (not to exceed 60% of highest monthly compensation).

Retiree Health Contribution (100%):

1-Party – \$542 (\$6,504 annually)

2-Party – \$1,030 (\$12,360 annually)

3-Party – \$1,326 (\$15,912 annually)

Retiree Dental Contribution (75%):

1-Party – \$42.13 (\$481.56 annually)

2-Party – \$71.30 (\$855.60 annually)

3-Party – \$103.79 (\$1,245.48 annually)

Combined Retiree Health & Dental Contributions:

1-Party – \$582.13 (\$6,985.66 annually)

2-Party – \$1,101.30 (\$13,215.60 annually)

3-Party – \$1,429.79 (\$17,157.48 annually)